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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** NEAR EAST AND SOUTH ASIA AFFAIRS  
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**Withdrawer**  
CAS 9/13/2007

**File Folder** IG (INTERAGENCY GROUP) ON IRAN 04/16/1981

**FOIA**

**Box Number** 91705

F006-001

DELANEY

14

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
42259	MEMO	TO MCFARLANE ET AL RE INTERAGENCY GROUP MEETING ON IRAN <b>PAR 4/30/2010 M114/1</b>	2	4/1/1981	B1 B3
42260	AGENDA	FOR IRAN IG MEETING (ATTACHMENT TO 42259) <b>R 4/30/2010 M114/1</b>	2	ND	B1
42261	PAPER	DISCUSSION PAPER RE US POLICY TOWARD IRAN (ATTACHMENT TO 42259) (INCLUDES HANDWRITTEN NOTES ON REVERSE OF LAST PAGE) <b>R 4/30/2010 M114/1</b>	15	ND	B1

The above documents were not referred for declassification review at time of processing

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DEPARTMENT OF STATE

Washington, D.C. 20520

*File*

42259

MEMORANDUM

April 1, 1981

TO : C - Mr. McFarlane  
H - Mr. Fairbanks  
S/P - Mr. Wolfowitz  
PM - Mr. Burt  
P - Mr. Clodfelder  
INR - Mr. Harris  
T - Mr. Aherne  
NSC - MajGen Schweitzer  
NSC - Mr. Kemp  
[REDACTED]  
DOD/ISA - Mr. West  
JCS - BrigGen Palmer  
L - Mr. Feldman  
EB - Mr. Hormats  
EUR - Mr. Eagleburger  
E - Mr. Gorlin  
ICA - Mr. Curran

FROM : NEA - Nicholas A. Veliotis, designate

SUBJECT: Interagency Group Meeting on Iran

The Secretary has authorized me to schedule an IG to develop a ~~(long-term)~~ policy towards Iran. We are planning a two-phased IG aimed at developing a policy paper for consideration by the SIG. The first phase of the IG will concentrate on: (1) the definition of our interests and objectives toward Iran, in the context of our broader regional interests; (2) threats to these interests, including the Soviet role; and (3) an examination of likely developments in Iran, their compatibility with our interests and possible alternatives to probable scenarios in Iran.

In the second phase, the IG will address specific policy alternatives keyed to the initial judgments reached in the first phase. The IG will also consider policy tools available to the U.S. such as military supply, our global and regional military posture, trade, and implementation of the hostage release agreements.

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RDS-3 4/1/01

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NLRR MD8-114 #42259

BY RW NARA DATE 4-30-10

E.O. 12958  
As Amended  
Sec. 3.3 (b)(1)

FOIA(b)(3)

*# 8*  
*meeting 4/16*

*NV(w)*

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The first meeting of the Iran IG will be held on Thursday, April 16 at 3:00 p.m. in the NEA Conference Room (6245). Attached are an agenda and discussion paper for the first meeting. Participants are also urged to read the February 27 SNIE on Iran as background for the IG discussion. Please confirm your attendance (or that of your representative) to Miss White at 632-0313 or 632-0915.

Attachments:

1. IG Agenda
2. Discussion Paper

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4/1/81 Ext 20313

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ATTACHMENT 1

Agenda for Iran IG

The April 16 IG will discuss the first two agenda items. Items III, IV and V will be the subject of a second IG leading to the preparation of a Study Memorandum for the SIG.

I. Definition of U.S. Interests and Objectives

Interests

- Free World access to Gulf oil;
- Containment of Soviet expansionism in Southwest Asia;
- Good relations with other countries in the region.

Policy Objectives :—

- To ensure uninterrupted flow of Persian Gulf oil to world markets;
- To prevent Soviet dominance of Iran without reversing the trend in Iraq away from close association with the Soviets;
- To seek a stable balance of Arab and Iranian influence in the Gulf region and prevent a dominant role for either;
- To discourage the export of the Iranian revolution or Iranian terrorism to other states in the area;
- To promote active Iranian cooperation with Pakistan to resist the Soviet presence in Afghanistan;
- To mitigate the extreme anti-westernism of the Iranian revolution;
- To allow for the eventual normalization of U.S.-Iranian relations in the future.

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II. Key Questions for Discussion

- Can U.S. interests in the region tolerate an Islamic revolutionary regime?
- Can any Islamic regime in fact stabilize Iran, avoid civil war, and a leftist takeover supported by the Soviet Union covertly or overtly?
- Can the U.S. through its policies toward Iran and influence through other countries encourage constructive stabilization in Iran?
- Are there any real alternatives to an Islamic regime in Iran which U.S. policy might influence or bring about in the foreseeable future?

III. Illustrative Policy Alternatives

Elaboration of policy alternatives will depend on judgments reached on points I. and II.

IV. Policy Tools (Illustrative)

- U.S. global posture towards Soviet Union;
- Enhancement of U.S. military presence, political and economic ties in the region;
- Implementation of the hostage agreements;
- Economic and commercial policies;
- Intelligence exchanges;
- Military supply;
- Diplomatic relations;
- Strategy on the Iran-Iraq war.

V. Recommendations to the SIG

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ATTACHMENT 2

DISCUSSION PAPER FOR IG ON  
FUTURE U.S. POLICY TOWARD IRAN

The Issue

*Short-term thinking of war. accelerates*

How to construct a medium-term (3-5 year) policy toward Iran, in the context of our Southwest Asia security strategy, which will be supportive of our most important regional interests-- continued Free World access to Persian Gulf oil, containment and rollback of Soviet expansionism in the area, and good relations with other countries in the region.

With these interests in mind, such a policy should be keyed to the following objectives:

- to ensure uninterrupted flow of Persian Gulf oil to world markets;
- to prevent Soviet dominance of Iran without reversing the trend in Iraq away from close association with the Soviets;
- to seek a stable balance of Arab and Iranian influence in the Gulf region and prevent a dominant role for either;
- to discourage the export of the Iranian revolution or Iranian terrorism to other states in the area;
- to promote active Iranian cooperation with Pakistan to resist the Soviet presence in Afghanistan;
- to mitigate the extreme anti-westernism of the Iranian revolution;
- to allow for the eventual normalization of U.S.-Iranian relations in the future.

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### The Setting

Iran lies geographically at the heart of the strategic area defined as Southwest Asia and, as such, has long been a target for Soviet regional ambitions. Iran's strategic importance derives from its large, skillful population (over 35 million, including talented technocrats and a large, well-trained military); enormous oil and gas resources (fourth largest reserves in the world); a long Gulf coast giving it the geographic potential to dominate the Gulf and the Strait of Hormuz; and a shared border with the USSR and Soviet-dominated Afghanistan.

The fall of the Shah and the advent of a virulently anti-American revolutionary regime, combined with the Soviet invasion of Afghanistan, introduced a structural change in the strategic environment of the region threatening broad U.S. interests in the Gulf area, Pakistan, and the Middle East as a whole. The Iran-Iraq war has the very real potential for further destabilizing the region, particularly if Iraq seeks to occupy Iranian territory indefinitely.

In framing a policy toward Iran we must expect to cope for the foreseeable future with the new shape of the Gulf. While Iran can and should remain an important element of a stable region, there are two additional "poles" in the contemporary Gulf as Iraq is likely to remain a factor as well as Saudi Arabia and the smaller regimes in close cooperation with it. Thus we should envision dealing with a tri-polar Gulf within which we must frame our overall policy with enough flexibility to play on all three "poles."

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The Soviet presence in Afghanistan and a significant enhancement of its military capabilities on Iran's northern border gives Moscow clear advantages should the Soviets choose to intervene militarily in Iran. Moscow's immediate objectives are to keep the U.S. out of Iran and to develop opportunities for expanded Soviet influence there. Given the current anti-American climate in Iran, the USSR finds a fertile field for its propaganda broadcasts and activities designed to sustain Iranian hostility towards the U.S. At the same time the Soviets are organizing and funding pro-Soviet elements and dissident ethnic groups (particularly Kurds and Baluchis) in anticipation of coming political opportunities. The Soviets are thus contributing in their own way to the process of administrative and political disintegration under way in Iran--a process which could in time and certain circumstances lead to a takeover of political power by a coalition of leftists supported by the Soviet Union. While this outcome may be somewhat remote, given the Islamic and anti-Soviet disposition of most Iranians, it cannot be entirely ruled out.

Internal Political Situation and Outlook:

Iran itself is an embattled state, from within and without. The unifying impetus provided first by the seizure of the hostages and subsequently by the early weeks of the war with Iraq has given way to renewed and even accelerated factional fighting, most sharply delineated between Beheshti's Islamic Republic Party (IRP), which now controls the Majlis and much of the government's administrative machinery, and President Bani-Sadr who leads an

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amalgam of more modern Islamicists and some secular forces. Bani-Sadr appears to have some support from the army, while the radical clerics are supported by Revolutionary Guards (Pasdaran) and other armed irregulars. Khomeini who plays a critical role in the power struggle as the ultimate arbiter of disputes, prefers to stand above the fray. The renewed intensity of the factionalism, the dislocations of the Iran-Iraq war and the deteriorating economy may be eroding Khomeini's ability to compose factional differences. At the same time, Khomeini's popularity with Iran's masses remains strong largely because of his ability to shape his pronouncements in accordance with perceived popular opinion. The Ayatollah is astute enough to avoid at all costs making an unpopular decision.

Looking ahead in Iran, it is difficult to predict the political outcome. At the present time the country seems to be edging toward anarchy or possibly civil war--"the worst case" scenario in that it maximizes the opportunities for the extreme left which enjoys the backing of the USSR. Such a development would also tempt exile groups to use their links with disaffected tribal groups and disgruntled elements in the Iranian military to make a comeback. Those in exile, however, particularly Shahpour Bakhtiar and General Oveisi, who are badly tainted by their connections with Iraq, stand little chance of much impact on Iran's internal developments at the present time.

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Whether or not a state of anarchy develops in Iran will depend in part on the ability of the major competing political forces to moderate their own extremism and reach compromises. Since there are no political parties capable of rivalling the Islamic Republic Party despite the existence of militant organizations, Iran's future political development will largely depend on the IRP's fate in the coming years. There is no reason to believe that the clerical forces making up the Islamic Republic Party are monolithic. Over time, differences among the clergy could lead to a split in the Islamic Republic Party resulting either in the fragmentation of the party altogether or more probably the emergence of viable alternative parties. Today's hard-line clerics, faced with political realities over the next few years could respond by cooperating with moderate elements that are culturally and otherwise more attuned to the modern world and have the administrative skills to manage a relatively sophisticated and pluralistic nation. Success, however, will depend on the ability of such future political groups to capture and lead the two most significant forces in today's Iran--nationalism and Islam.

A series of battle reverses for Iran leading to the detachment of a large part of oil rich Khuzestan could lead to the collapse of the present clerical government and possibly, but not certainly, to its replacement by a Bani-Sa'at/military coalition, perhaps initially supported by the Islamic Left (Fedayeen and Mujahedin).

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A different scenario is possible if stalemate in the war continues or if the clerics can bring about a disengagement which avoids charges of a sell-out to Iraq. In this scenario, the clergy-dominated IRP buys time to stabilize its position in Iran, improve the economy and consolidate the IRP's grip on the administrative machinery. The IRP as a political force in Iran would then have a better chance to evolve in the manner described above as an amalgamation of political elements leaving the extreme religious right and the left on the wings. This scenario would preserve the Islamic Revolution, but significantly modify the present "direct rule" by mullahs. Political evolution in this direction already has broad support in Iran, but is not now possible given Khomeini's strong backing for the central role of the clergy.

A clear view of internal political developments is hampered at this time by the biased assessments currently reaching us from exiles who are our main source of information. A stepped up broad effort to improve our intelligence will be needed to improve our knowledge of today's Iran and to inform policy choices for the future.

#### Iranian Developments as They Affect U.S. Interests

Anarchy or civil war in Iran, with its unpredictability and risk of Soviet involvement is clearly the most dangerous to American interests. While the collapse of all authority in Iran could in theory provide an opportunity for the ultimate

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emergence of a pro-U.S. status-quo-ante regime in Tehran, the odds are at least as good if not better that the militant left would seize power, with or without direct Soviet assistance.

The exiles, with their promise of a return to the status quo ante, appear to offer the most at first glance in terms of U.S. interests: strongly anti-Soviet, modern and secular in outlook, and pro-Western with a desire to return to a posture of close collaboration with the U.S. in its regional and strategic policies. But for the present, at least, the exiles appear to have little opportunity to return to power. Fragmented, tarnished by association with Iraq and by identification with the Shah, and viewed in Iran as anti-Islamic, they have little support among their compatriots. The situation could change in time, but at the present their return to power does not seem likely, even if they enjoyed substantial support (which does not now appear to be the case) of military forces in Iran.

The large size of the Iranian diaspora--which we estimate at between 1 and 2 million members of Iran's best educated middle and upper class--deprives relatively moderate Iranian leaders still in Iran of the domestic power base which could enable them to regain political control of Iran through peaceful means. Nevertheless, evolutionary changes towards moderation in the manner in which Iran is governed are conceivable once the current revolutionary turmoil runs its course.

The other scenarios of a Bani-Sadr military coalition, supremacy of the radicals, or a new political coalition evolving out of more moderate secular and clerical forces, all represent a continuation of the Revolution and present a mixed picture

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for American interests. Any revolutionary regime from the present radical right to left-of-center will be anti-American for the foreseeable future and will to some degree oppose U.S. interests in the area. Any Islamic regime will oppose the U.S. military presence in the area, although as long as the revolution remains as weak as it is, the opposition is likely to remain rhetorical rather than active.

All Islamic regimes will be anti-Soviet and seek to maintain an Iran free from dependency on either Super Power. The more extreme the regime the more likely it is to lend active support to anti-Soviet elements in Afghanistan. (The degree of Iranian support for the Afghan insurgency will also depend on the regime's own stability and effectiveness, and on an end to the threat from the war with Iraq).

A radical clerical regime, such as Rajai's present government, is more likely than others to promote actively export of the Revolution in the Islamic world, but its own extremism and ineptitude diminish the prospects of success. More moderate revolutionary governments would probably promote better relations with Iran's neighbors, but insofar as they are successful in stabilizing the revolution in Iran, its appeal throughout the area may be enhanced.

Finally, most foreseeable revolutionary regimes are likely to be relatively weak militarily, distracted by tensions with the Baathist Sunni regime in Iraq, and unable to play a dominant role in the Gulf. At the same time, revolutionary regimes are

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likely to seek oil export levels from 1-2.5 mbd to finance the revolution and its reform programs. (Any Iranian regime, including a pro-Western regime could be expected to press for ever higher OPEC prices, although there could be differences in production level decisions.)

In summary, some American interests can be served under an Islamic Revolutionary regime, e.g., a nationalistic determination to remain independent; maintenance of anti-Soviet policies; varying degrees of political and material support for Afghan efforts to oust the Soviets; a relatively weak military posture which prevents Iran from dominating the Gulf region; and increased exports of oil to international markets. Other U.S. interests are damaged by continuation of Islamic Revolutionary regimes, e.g., lack of cooperation with most of our security goals in the area; some continued revolutionary threat to the stability of regimes in the Gulf and in Pakistan; support for Third World, and by extension--Soviet, opposition to a U.S. military presence.

#### Key Questions for the U.S. Policy Maker

U.S. policy toward Iran must, therefore, turn on judgments with respect to the following questions:

1. Can U.S. interests in the region tolerate an Islamic revolutionary regime?
2. Can any Islamic regime in fact stabilize Iran, avoid civil war, and a leftist takeover supported by the Soviet Union covertly or overtly?
3. Can the U.S. through its policies toward Iran and influence through other countries encourage constructive stabilization in Iran?

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4. Are there any real alternatives to an Islamic regime in Iran which U.S. policy might influence or bring about in the foreseeable future?

#### Policy Tools

There are a number of policy tools we can employ to pursue our long-term objectives in Iran. Depending on the judgments that are reached on the points raised in the preceding paragraphs these policy tools can be used for different purposes.

--U.S. global posture of strength vis-a-vis the Soviet Union: will play a critical role in deterring Soviet intervention in Iran. Our global strategy can serve a dual purpose of deterrence and isolation of Iran while it "works through" its revolutionary extremism. A strong anti-Soviet posture, backed by a growth of U.S. military strength globally, could also provide the necessary distractions for an interventionist U.S. policy toward Iran, although it must be recognized that the Soviets are likely to regard the latter as a direct threat to Soviet security. Soviet actions toward Iran will also be determined by events inside Iran and its calculations of its relations with the Muslim world, the crisis in Afghanistan, events in Poland and the Soviets' perceptions of likely U.S. reactions to intervention will be key considerations for Soviet planners.

-- Enhancement of U.S. military presence, political and economic ties in the region: The U.S. regional strategy of strengthening our friends in the area and developing broader security, economic and political cooperation with them will

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have an impact on our strategy toward Iran. The regional policy provides the opportunity to intensify Iran's isolation in the area, if we choose to use the policy in that way.

(Certainly we will want to do so to contain both an Iranian military threat to the Gulf states and the export of Khomeinism). The policy can also be used positively to harmonize with Iran's own fears of Soviet aggression.

-- Implementation of the Hostage Agreements: The way we proceed on these agreements will give negative or positive signals to the Iranian leadership and their rivals in Iran. We have already given one important signal by our early announcement that we would not transfer military equipment to Iran from the pipeline (or accept orders for new equipment). (Bani-Sadr is sending clear, but indirect signals, that he wants the decision reversed.) Another area of major but symbolic importance to Iran is recovery of the Shah's assets. Any plausible evidence that the U.S. is acting in bad faith in this aspect of the agreements will have negative repercussions on prospects for normalization of relations. The claims settlements procedures will involve contentious disputes between Iran and the U.S. We will have the option of seeking to isolate these disputes from a normalization process or using them to determine Iran's good faith as a basis for political normalization. We also, in a broader sense, have the option of manipulating the implementation of the agreements to undermine the clerics responsible for their negotiation. Use of this option would be an extremely complex operation with risks of unforeseen consequences in a political dynamic we understand incompletely.

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-- Economic and Commercial Policies: By encouraging or discouraging (or embargoing outright) U.S. and allied trade with Iran, our policies may have a significant impact on Iran's economy, on an eventual increase in its oil production on its internal stability and on its relationships with the Soviet Union and the Communist bloc.

-- Intelligence Exchanges: In the early months of the hostage crisis, the U.S. provided some rather bland assessments to Iranian officials (Bani-Sadr and Ghotbzadeh) of Soviet activities in Afghanistan and in Transcaucasia. These reports were well received by Ghotbzadeh and he would have welcomed more had he remained in office. The supply of information of this type could again be considered with Bani-Sadr, the clerical faction or both, as part of an effort to increase Iranian awareness of and resistance to the Soviets. Such a step could also be used as a preliminary move in a process of normalizing relations if we decide to proceed in that direction. Such information could be passed to Iranian officials through the Swiss.

-- Military supply: This is unquestionably the most significant policy tool in terms of reestablishing relations with Iran or influencing internal developments there; affecting Iranian attitudes toward the Soviet Union, and U.S. relations with other regional countries; and influencing the outcome of the Iran-Iraq war. It also has serious negative implications for our evolving relationship with Iraq and with other Arab states so long as the war continues and as the Iranian regime remain committed to the export of Islamic revolution. For example,

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a U.S. arms supply policy might be constructed that would attempt to position the military to take power in Iran or more modestly to give Bani-Sadr more clout in his political conflict with the clerics. A policy of conditional denial of arms could be used to normalize relations with the existing regime. A central consideration in determining U.S. policies on arms supplies, both direct and by other suppliers, will be an assessment of the possibilities of a Soviet-Iranian arms relationship and the extent to which such an outcome could harm or help American interests in Iran and elsewhere in the Arab world. On the other hand, U.S. arms for Iran would put great pressure on the U.S.--which we may not want--to enter into an arms supply relationship with Iraq if we want to exploit the opportunities there for manipulating the balance of non-Soviet forces in the Gulf region. A decision to supply arms to Iran would also give us problems with Saudi Arabia and other Gulf states.

-- Diplomatic Relations: This will almost certainly not be an issue for the foreseeable future while Iran remains caught in its own revolutionary rhetoric. The prospect of reestablishing formal diplomatic relations is thus not a useful "carrot" in current circumstances, but the continued tensions that arise from the absence of formal relations might be used constructively in certain circumstances to extract better behavior from the Iranians on specific issues (e.g., return of Embassy property), circumspection in handling of intelligence exchanges if we decided to undertake them, etc.

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-- Strategy on the Iran-Iraq War: The way the war with Iraq proceeds will have a profound effect on Iran's internal politics, the long-term strategic configuration in the Gulf region, and on Soviet policy toward the area. U.S. policy toward the war and its issues might be calibrated in ways designed to (1) exert pressure against a major Iraqi offensive and an Iraqi decision to hold seized territory; (2) encourage greater pressure on Iran to agree to a ceasefire; (3) pressure both sides to end the war by negotiation; and (4) to affect overall Iranian attitudes toward the U.S. Other elements, of a U.S. policy toward Iran, especially military supply policy, could also be employed to influence the course of the war and the attitudes of the participants.

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(-Jordan Tank kit)

• 12/20/19

• Sub-group to look at immediate policy. if approved  
Starts

Summary

• Objectives

• State more clearly 12/20/19 > 12/20/19.

• Examine more clearly last role

• Part of total law on intent & language

• In absence of clear precedent present in statute  
then